

Introduced by Senator Correa

August 7, 2014

Senate Joint Resolution No. 32—Relative to the biotechnology industry.

LEGISLATIVE COUNSEL'S DIGEST

SJR 32, as introduced, Correa. Technology: biotechnology industry: corporate taxation.

This measure would declare the support of the Legislature for federal tax policies designed to encourage growth, incentivize corporations to remain in the United States, and reduce competitive disadvantages for companies based in the United States, particularly those in the biomedical and life sciences industry. The measure would further urge the President and Congress to enact specified tax strategies to encourage domestic economic growth.

Fiscal committee: no.

- 1 WHEREAS, California has a rich history of innovation and a
- 2 long list of entrepreneurs and corporations that have changed the
- 3 world in the high technology and biotechnology industries and is
- 4 proud of its reputation as a global leader in the world economy;
- 5 and
- 6 WHEREAS, The biotechnology industry was born in California
- 7 in 1976, with the Bay Area being home to the first biotechnology
- 8 company, the first biotechnology public offering, and the first
- 9 biotechnology drug to be approved by the United States Food and
- 10 Drug Administration; and
- 11 WHEREAS, The life sciences industry, including research,
- 12 development, and educational activities as well as the

1 manufacturing of biopharmaceuticals and medical devices, has
2 had a significant impact on California by creating life-saving
3 treatments for patients, beginning in the lab and spanning years of
4 efforts to transform discoveries into vaccines, diagnostics, devices,
5 and therapies to improve patients' lives; and

6 WHEREAS, The life science and biomedical industries are
7 driving the economy forward both at the national level and in
8 California, creating a highly educated and well-paid workforce
9 and generating billions of dollars of tax revenue that support critical
10 public service programs; and

11 WHEREAS, California's life science industry contributes
12 significant economic benefits to California, creating \$258 billion
13 in economic activity and generating over 1 million jobs paying
14 \$76 billion in salaries, wages, and benefits. California companies
15 introduced 8 new therapeutics to patients in 2013, representing
16 roughly a third of the new molecular entities launched last year.
17 The biomedical industry in California alone employs over 267,000
18 people in 2,490 companies with total revenue of \$96 billion; and

19 WHEREAS, The United States biomedical industry, which
20 includes biopharmaceutical, medical devices and related research
21 and development, testing, and labs, employed 1,219,200 people
22 in 2007; and

23 WHEREAS, The existing federal and state tax structure is a
24 disincentive for companies that are domiciled domestically, and
25 makes American businesses more vulnerable to foreign takeovers;
26 and

27 WHEREAS, The basic United States corporate income tax rate
28 is as high as 39 percent for certain corporations, the highest rate
29 in the world, while the average rate among other major
30 industrialized countries is 25 percent; and

31 WHEREAS, Existing tax policies make companies based in the
32 United States and California less competitive in the global market,
33 resulting in 20 major American companies over the last 2 years
34 reincorporating outside of the United States to reduce their tax
35 liabilities; and

36 WHEREAS, Favorable tax policies in foreign countries may
37 encourage American firms to locate research and development
38 facilities, production facilities, distribution networks, and
39 headquarters overseas, taking with them countless jobs and

1 substantial tax revenue and economic activity that they produce;
2 and

3 WHEREAS, In light of these challenges, it is necessary to
4 protect American jobs, grow our domestic economy, and enable
5 our companies to compete globally; now, therefore, be it

6 *Resolved by the Senate and the Assembly of the State of*
7 *California, jointly,* That the Legislature declares its support of
8 efforts to encourage more broad-based federal tax policies that
9 promote job growth, incentivize corporations to remain in the
10 United States, and level the playing field for companies based in
11 the United States by reducing competitive disadvantages for all
12 industries, particularly the biomedical and life sciences industry;
13 and be it further

14 *Resolved,* That the Legislature urges the President and Congress
15 of the United States to implement tax strategies that promote
16 domestic economic growth, such as the reduction of the federal
17 corporate tax rate, renewal and permanent establishment of the
18 federal research and development tax credit, and repatriation of
19 foreign-earned income; and be it further

20 *Resolved,* That the Secretary of the Senate transmit copies of
21 this resolution to the President and Vice President of the United
22 States, to the Speaker of the House of Representatives, to the
23 Majority Leader of the Senate, and to each Senator and
24 Representative from California in the Congress of the United
25 States.